Norcen
Energy Resources Limited

Annual Report 1975

The annual meeting of shareholders will be held at the Commerce Hall, Commerce Court West, King and Bay Streets, Toronto, Ontario, on Tuesday, April 27, 1976, at 10:00 a.m. local time.

Contents

Highlights

(except for earnings per share, dollar amounts in thousands)

	1975	1974
Sales and other revenues		
Oil and gas	$120,590	$ 80,876
Natural gas utilities	321,781	239,074
Coal	36,731	24,090
	$479,102	$344,040
* **Income contributions**		
Oil and gas	$ 20,390	$ 13,067
Natural gas utilities	11,843	14,058
Coal	1,175	1,493
Consolidated net income	$ 33,408	$ 28,618
* **Income applicable to common shares**	$ 29,300	$ 24,457
* **Earnings per common share**	$1.51	$1.26
* **Oil and gas production**		
Oil and gas liquids — bbls/day	25,799	17,143
Natural gas — Mmcf/day	177	134
Natural gas utilities sales — Mmcf	241,027	239,640
Coal production — short clean tons	854,000	880,000

* Before extraordinary items

Note: Figures for the utility operations in Alberta and British Columbia are included in natural gas utilities in 1975 and in oil and gas in other years.

Report to the shareholders

In this, the first annual report of Norcen Energy Resources Limited, your directors are pleased to present the Company's financial statements for the year ended December 31, 1975, and to review progress achieved.

As a broadly based energy resource company in the final quarter of the 20th century, Norcen and its shareholders can look forward to a period of major corporate activity. Energy, its discovery, production and marketing, is among the paramount considerations of the national and international communities and in this context Norcen has a front line role to play.

Creditable performance

The 1975 results for Norcen Energy Resources Limited reflect clearly the basic strength and quality of earnings that the diversification of the Company provides. Earnings available to common shares before extraordinary items increased 20% from \$24.4 million in 1974 to \$29.3 million in 1975 and earnings per share improved from \$1.26 to \$1.51. Allowing for extraordinary items, earnings per common share were \$1.19 in 1974 and \$1.20 in 1975. Sales and other revenues for 1975 were \$479.1 million compared to \$344 million in 1974.

This gratifying performance was achieved despite a most difficult economic year for Canada, with a substantial reduction in the growth of national product, crippling and lengthy labour strikes in a number of key resource industries and generally a disquieting climate for investment.

Factors contributing to the favourable outcome for the year included:

— a more realistic tax and royalty arrangement between the Federal and Alberta Governments resulting in higher wellhead returns;

— a major acquisition, Great Plains Development Company of Canada, Ltd.;

— improved regulatory response facilitating pass through of higher costs;

— a substantial price increase for metallurgical coal.

Energy supplies, taxes and royalties

Canada faces a domestic crude oil shortage resulting from declining production from proven reserves.

Unless steps are taken now to reverse this trend, greater dependence will need to be placed on foreign supplies. The result could be a serious balance of payments deficit by as early as 1980.

The National Energy Board's report, "Canadian Natural Gas Supply and Requirements", released in April 1975, confirmed that new reserves will have to be channelled to markets by the early 1980's if shortages are to be avoided. In the interim period, careful management of presently established reserves will be required to avoid dislocation and interruption of service. A more recent Canadian Gas Association study suggests that for Canada east of Alberta, a relative balance of supply and demand will be maintained through 1978 with the addition of only a limited portion of future reserves.

On both counts, oil and gas, everything possible should be done by governments and industry in the short term to explore and develop reserves that can be brought on stream within a year or two. This will ease a possible crunch while awaiting frontier reserve deliveries.

In our view, to achieve this early result, two potential courses of action commend themselves:

(i) bringing into production previously proven reserves which have yet to be considered economically feasible;

(ii) fresh initiatives in the western sedimentary basin, within the provinces of British Columbia, Alberta and Saskatchewan.

These approaches are dependent on proper incentives and pricing policies. We must assure sufficient cash flow so that industry can undertake new, active programs. The public must recognize that costs of finding have dramatically increased.

In 1975 by far the most important development with respect to supplies, taxes and royalties, was the accord reached by the Federal and Alberta Governments. Regrettably, a similar arrangement did not transpire in Saskatchewan, and the situation there is anything but satisfactory. In British Columbia, new policies, though announced late in 1975, have already resulted in increased activity.

It would be taken for granted that Norcen, as an energy oriented industry would be wholeheartedly in support of higher prices for oil and gas. This would be true only if industry and not governments were the beneficiary of such an adjustment. In fact, the Canadian public can only be served by such

a rise, if the additional revenues that would result were directed to the discovery and development of new energy supplies. If the opposite was the case, and revenues were transferred to governments for non-productive inflationary spending, much economic damage could result. It should be clearly understood that if higher prices are to be effective they must provide direct assistance to our national energy pursuit.

Capital accumulation and investment

The current year is characterized by an unease among all Canadians regarding national goals and aspirations. Business leaders in particular must overcome instinctive reluctance to speak out beyond the mandate of their own enterprise.

Experienced entrepreneurs know that incentives and rewards motivate maximum production efforts. They know the effectiveness of profits and venture capital in achieving efficiency and productivity goals. The entire Canadian business community is being challenged today to stand up in defence of growth and prosperity. More and more individual voices must be heard on the rights of business to operate without governmental barnacles attached. On the other hand, business leaders must display an ever increasing disposition to hear out the social concerns of their country. Above all, debate regarding the national well-being must not be left to the exhibitionists. Those who work quietly at keeping our economy working and going must also be heard.

The case for profits and dividends is well understood by shareholders. It is the broad public which must be won over to its own self-interest in having natural resource companies given the investment latitude to discover and augment the energy and other resource inventories of the country.

Government and industry must more than ever recognize the importance of the support of citizens as shareholders in making the achievement of our national goals possible.

Relating to our concern for an environment for investment, it was felt important to have Norcen prepare and submit a comprehensive brief to the Royal Commission on Corporate Concentration. We would be pleased to send a copy to any shareholder who does not yet have one.

The national interest

This current year will be critical for Canadians. Norcen would hope that all sectors of society will work together for an abatement of the rate of inflation that has been so damaging to the country and in particular, on the energy scene, priorities would include:

— maximum effort in the rapid development of additional energy supplies;

— resolution and definition of land regulations in the frontier areas;

— approval by year end of the Mackenzie Valley pipeline project proposed by Canadian Arctic Gas Study Limited;

— a step-up and intensification of energy conservation measures.

Human resources

The contribution by all Norcen employees during 1975 is evidenced by the profitable results for the year. In addition to co-operation and understanding in carrying out the changes and relocations occasioned by the successful amalgamation and reorganization, they had to contend with fast changing economic and legislative developments. This they have done competently. In addition, Norcen has been able to draw on the capabilities of individuals on the boards of both predecessor companies while adding the talents and experience of two new directors, Mr. W. O. Twaits of Toronto and Mr. Robert Després of Quebec City.

In expressing appreciation to our management, employees, customers and the public for the favourable manner in which the Company has been received in its new form, a special word of thanks is due to shareholders for their evident support and encouragement during the past year.

The year ahead

The year 1976 will be the first full year of operations for Norcen.

Your Directors look forward to the realization of some of the benefits that are inherent, as a result of the reorganization, including the direction of the combined financial resources into those particular areas of activity which afford the most attractive potential returns.

On behalf of the Board

Edmund C. Bovey
Chairman

E. G. Battle
President

February 18, 1976

Review of operations

Natural Resource Division

Norcen's Natural Resource Division is responsible for the following operations:

- exploration for oil and gas in Canada and internationally;
- exploration for base metals, uranium and coal;
- production of oil, gas, gas liquids, sulphur and coal in western Canada;
- gathering and transmission of crude oil and natural gas in western Canada;
- marketing liquefied petroleum gas in western Canada and the United States Pacific Northwest.

Oil and gas exploration and development

During the year, Norcen participated in a total of 65 exploratory and 106 development wells in Canada, the Arctic Islands, the North Sea, Tunisia, Oman and the United States.

In Canada the Company participated in 55 exploratory wells, resulting in 21 oil and gas discoveries, and in 103 development wells, resulting in 89 oil and gas completions. The more important discoveries were at Shouldice and Majorville in southern Alberta, and in the Peace River area of northern Alberta (see maps). Most of the development drilling was in eastern and southern Alberta.

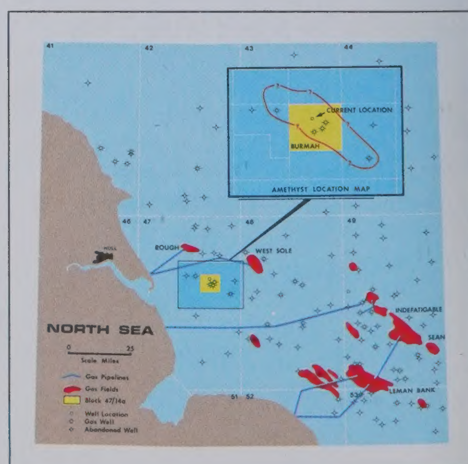
Internationally, the Company participated in 13 wells located in the United States, North Sea, offshore Tunisia and Oman. The following is a summary of wells drilled:

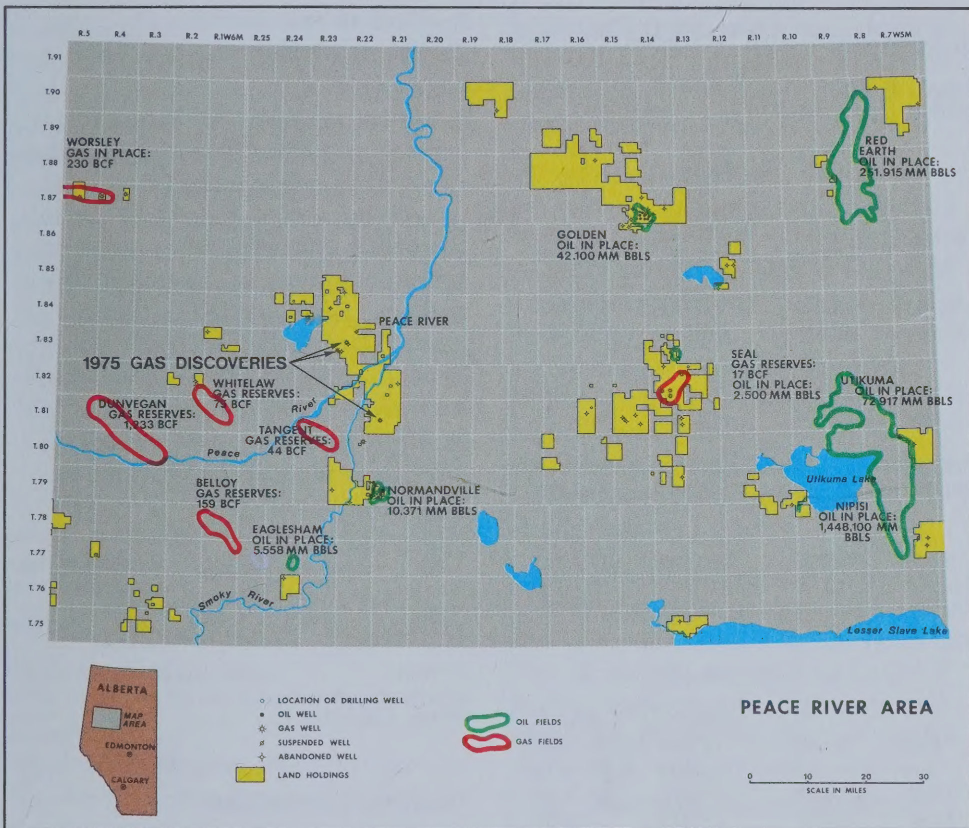
	1975 Gross	1975 Net	1974 Gross	1974 Net
Exploratory				
Oil	5	1.2	12	4.1
Gas	22	7.6	20	7.0
Dry	38	14.4	68	20.2
	65	23.2	100	31.3
Development				
Oil	56	17.9	5	1.2
Gas	36	9.7	13	2.6
Dry	14	4.2	9	1.8
	106	31.8	27	5.6

Western Canada

In southern Alberta the Company holds interests ranging from 12.5% to 100% in 876,000 acres. Fifty one wells drilled on this acreage resulted in 7 oil and 24 gas wells.

In northern Alberta Norcen holds varying interests in 582,000 acres. Three





gas discoveries were made on 50% and 100% interest lands near the town of Peace River. Follow-up drilling and further exploration is planned for 1976.

Arctic Islands

The Company's land holdings in the Arctic Islands are 10,630,606 gross (4,614,568 net) acres. During the year Panarctic Oils Ltd. drilled three wells which were important to the value of the Company's holdings. Two were on the Sabine Peninsula and one offshore Melville Island. All were gas completions increasing the reserves in the Drake and Hecla fields in which the Company has interests.

International areas

In the North Sea a fourth well will be drilled early in 1976 in the Amethyst field in which the Company holds a 20% interest (see map). Three previous wells in this field were gas completions and studies indicate a good probability that the field can be commercially produced.

In the Gulf of Gabes, offshore Tunisia, the first test well on a 1.7 million acre block in which the Company holds a 25% interest, is drilling below 13,000 feet. Offshore Oman, the first exploratory well on Norcen's 30% owned acreage was abandoned after encountering non-commercial oil shows. Additional drilling in 1976 is being considered for both prospects.

In Kenya a 10% interest has been acquired in a 2.5 million acre permit, and initial seismic surveys are in progress (see map).

In Louisiana, facilities are being constructed to produce gas from offshore blocks in which the Company holds interests where gas reserves were discovered in 1974.

Land holdings

Norcen's oil and gas land holdings totalled 22,191,567 gross (9,542,593 net) acres in Canada, and 9,398,242 gross (2,330,127 net) acres in seven other countries, details of which are shown in the table on page 6.

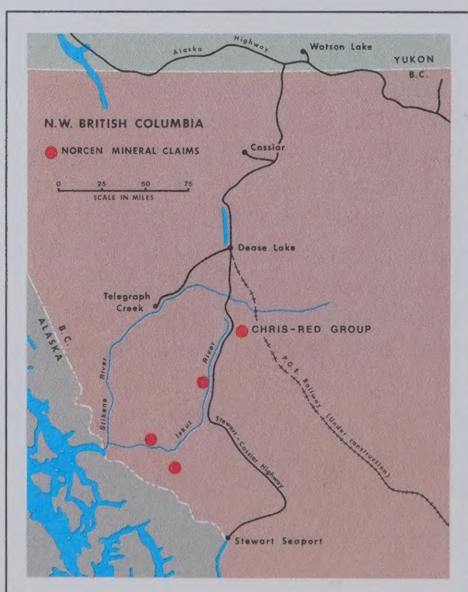
OIL AND GAS LAND HOLDINGS

	Leases		Reservations, Permits Concessions and Licenses		Total	
	Gross Acres	Net Acres	Gross Acres	Net Acres	Gross Acres	Net Acres
Canada						
Alberta	4,118,234	1,798,784	728,611	530,414	4,846,845	2,329,198
British Columbia ..	461,380	126,296	414,496	213,628	875,876	339,924
Manitoba	74,985	22,817			74,985	22,817
Ontario	4,252	4,252	1,890	1,890	6,142	6,142
Saskatchewan	343,262	119,040	46,880	46,880	390,142	165,920
Canadian frontier						
Arctic Islands	575,003	253,821	9,142,014	3,904,753	9,717,017	4,158,574
Beaufort Sea			913,589	455,994	913,589	455,994
Northwest Territories			507,796	185,882	507,796	185,882
Yukon			1,698,940	651,722	1,698,940	651,722
East Coast Offshore						
Labrador			1,030,978	773,234	1,030,978	773,234
Flemish Pass ...			213,010	213,010	213,010	213,010
Scotian Shelf ..			1,916,247	240,176	1,916,247	240,176
Foreign						
United States	68,357	6,592			68,357	6,592
British Sector of North Sea	259,831	62,210			259,831	62,210
Adriatic Sea			57,996	57,996	57,996	57,996
Oman	3,854,599	1,144,334			3,854,599	1,144,334
Tunisia			2,293,087	670,058	2,293,087	670,058
Offshore Sicily ...			73,970	73,970	73,970	73,970
Kenya			2,471,050	247,105	2,471,050	247,105
Offshore Malta ...	319,352	67,862			319,352	67,862
TOTAL	10,079,255	3,606,008	21,510,554	8,266,712	31,589,809	11,872,720

In addition to the above, royalty interests are held in 1,326,000 gross acres, and net carried interests in 356,000 gross (16,000 net) acres.

Mineral exploration

The Company's base metals exploration program in 1976 will be expanded to include uranium. Base metals exploration programs will continue in British Columbia, Yukon, Northwest Territories and Quebec. Encouraging results have been obtained on the Chris-Red claim blocks in northern British Columbia where the Company has the right to a 10% working interest and a 10% net profits interest (see map). Diamond drilling has outlined a zone containing significant copper values including intersections grading in excess of 1%.



Production and reserves

Crude oil, synthetic crude oil and gas liquids

Crude oil, synthetic crude oil and gas liquids production, before deduction of royalties, averaged 25,799 barrels per day as compared to 17,143 barrels per day in 1974. The increase was due to the acquisition of Great Plains on January 1, 1975, partially offset by natural decline in older fields, cutbacks in crude oil export allowance, and the prorating of light and medium gravity oil production from fields in Alberta. Production by province is as follows:

	Barrels per day (Gross)	
	1975	1974*
Alberta	22,617	13,774
Saskatchewan	2,296	2,042
British Columbia	886	1,327
	25,799	17,143

*Great Plains not included

Effective July 1, 1975 the wellhead price for western Canadian crude oil increased by $1.50 per barrel to an average of $8.00 per barrel. As a result, the average price received in the year for the Company's crude oil production was $6.97 per barrel, an increase of $1.38. A similar price increase was obtained for gas liquids and synthetic crude production. Revenues from the Company's share of synthetic crude production now exceed $5 million per year.

Natural gas
Natural gas production, before deduction of royalties, averaged 177 million cubic feet per day compared to 134 million cubic feet per day in 1974. The increase was partially due to the acquisition of Great Plains. The average price realized for 1975 gas production was 59¢ per Mcf compared to 25¢ per Mcf. Gas production by province is as follows:

	Million cubic feet per day (Gross)	
	1975	1974*
Alberta	166.8	124.5
British Columbia	10.3	9.8
	177.1	134.3

*Great Plains not included

Reserves
Norcen's reserves of crude oil, synthetic crude oil and gas liquids, before the deduction of royalties, as estimated by company engineers, at December 31, 1975 were 130.7 million barrels compared to 81.3 million barrels. Reserves of natural gas, before the deduction of royalties, were estimated at 1,152.8 billion cubic feet compared to 746.9 billion cubic feet.

These estimates do not include Norcen's interests in substantial reserves of natural gas in the Arctic and the North Sea, and potential volumes of heavy oil reserves in Alberta.

Heavy oil
In partnership with Japan Oil Sands Company Primrose Limited, the Company is constructing a steam injection pilot operation at Cold Lake, Alberta. Twelve pilot wells have been drilled and construction of the remaining facilities is proceeding. Steam injection is expected to commence in July, 1976 and over a three-year period the pilot operation will evaluate the technical feasibility of producing heavy oil from the Cold Lake oil sands.

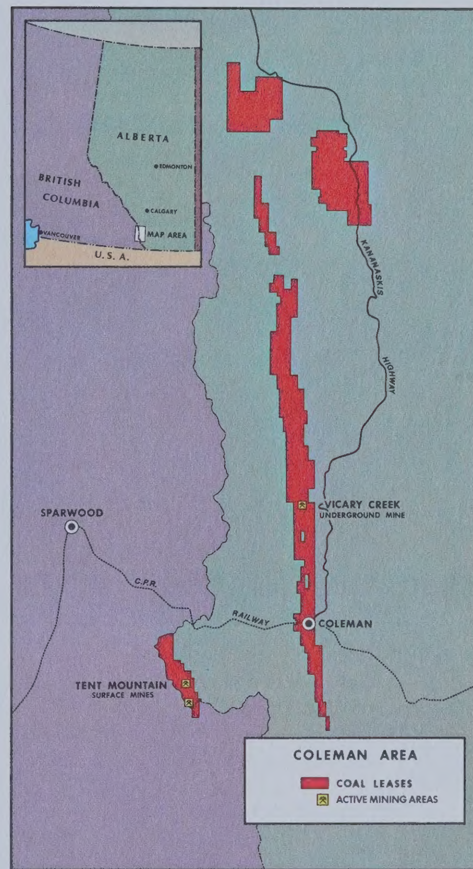
Oil gathering and transmission
The Company transported an average 81,400 barrels of oil per day through its gathering and transmission systems in the four western provinces, compared to 98,500 barrels during 1974. The decline results from decreased production in the areas served. Proven and probable reserves supporting these systems are 408 million and 355 million barrels respectively at December 31, 1975.

Gas gathering and transmission
The average daily throughput of gas in the Company's industrial gas system in the Edmonton, Alberta area was 91.7 million cubic feet per day compared to 122.6 million cubic feet per day for the previous year. The decrease was due to the termination of a large industrial gas sales contract.

Liquefied petroleum gas

The Company, through Cigas Products Ltd., markets liquefied petroleum gas (propane and butane) and associated appliances and equipment at both wholesale and retail levels in the four western provinces of Canada, and in the states of Washington and Oregon.

Sales of liquefied petroleum gas during 1975 were 110,400,000 Imperial gallons, an increase of 15,600,000 gallons, primarily due to additional sales at wholesale levels to United States distributors and industrial customers. The Company's ability to recover the inflationary impact on operating costs has been inhibited by government involvement in pricing structures.

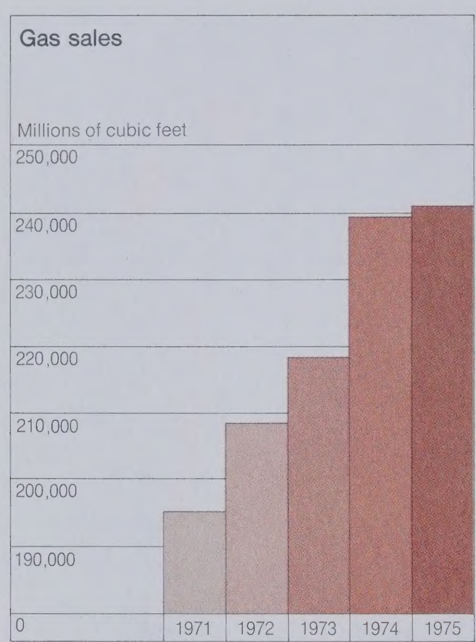


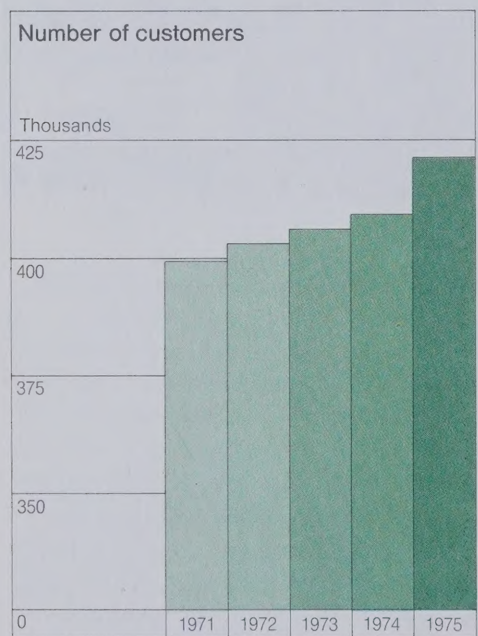
Coal

Norcen's major coal interest is its 81% ownership in Coleman Collieries Limited, an explorer for, and producer of, metalurgical and thermal coal in the Crowsnest Pass area of Alberta and British Columbia.

In 1975 Coleman's clean coal production was 854,000 short tons compared to 880,000 in 1974. The average selling price was $48.18 per long ton f.o.b. Port Moody compared to $30.71 in the previous year. All of the production was sold under contract to the Japanese steel industry.

Coleman holds Crown and freehold coal rights on 59,057 acres. In addition Norcen holds coal rights on 27,169 acres in Alberta including 2,920 acres within the productive area of a prospective thermal coal project.





Gas Utilities Division

Norcen, through Northern and Central Gas Corporation Limited (NCgas), other subsidiaries, and directly, distributes natural gas in five provinces: Quebec (Gaz Métropolitain, inc.), Ontario (NCgas), Manitoba (Greater Winnipeg Gas Company), Alberta (in the Edmonton area, and Cold Lake through Beaver River Utilities Ltd.) and British Columbia (Columbia Natural Gas Limited).

Results for the year

The past year was difficult for the Company's gas distribution operations. Generally depressed economic conditions, much warmer weather and lengthy labour strikes particularly in the pulp and paper industry in Ontario as well as in the Company's operations in Montreal, all combined to substantially reduce their contribution to consolidated earnings.

Operations

Total utility revenues increased in 1975 to $321.8 million from $239.1 million in the previous year, mainly the result of higher gas costs. At the same time because of the adverse conditions referred to, total volumes of gas sold for the year were down slightly to 241,027 Mmcf from 246,991 Mmcf. At year end the number of customer's being served was 422,780 compared to 419,280 at the end of 1974. Net capital expenditures for system expansion and maintenance were $35.6 million, and for 1976 are estimated at $26 million.

Regulation

Regulatory boards acted promptly on requests for rate increases to cover higher operating and gas costs. By year end total upward adjustments averaged 49¢ per Mcf in Manitoba, 42¢ per Mcf in Ontario and 61¢ per Mcf in Quebec.

Equally important is a developing regulatory trend to consider future forecasted operating costs for rate making purposes. The Company wholeheartedly supports this trend, which if generally adopted, will go a long way to reduce or eliminate regulatory lag and the subsequent need for price catch-ups, which are difficult for customers to understand and which can cause financial dislocation.

Gas supply

In 1975 the total contracted firm gas supply for all utilities was 839.5 Mmcf per day, the same as in 1974. The Company's main supplier presented new contracts for Manitoba, Ontario and Quebec's operations which in effect, renews existing contracts for another twenty years subject to availability of gas from present and future reserves. This favourable development appears to reflect an upward trend in Alberta's gas discoveries announced during the last half of the year.

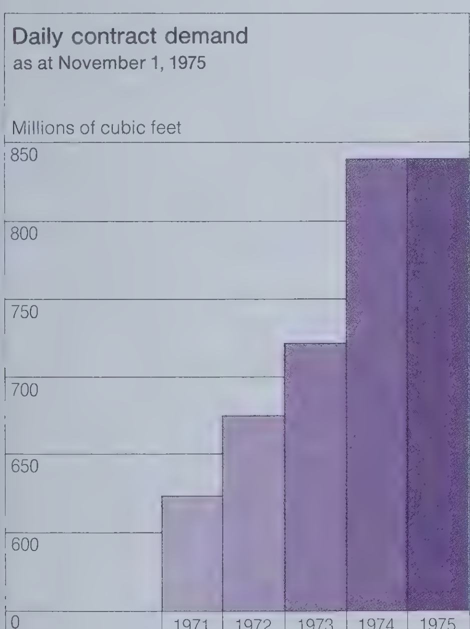
For long term supplies, the Company through NCgas, fully supports Canadian Arctic Gas Study Limited in its proposal for a Mackenzie Valley pipeline. It offers the best potential for obtaining early delivery of frontier gas at the most economic cost.

Financing

In March 1975 NCgas sold $25 million twenty-year 11¼% first mortgage bonds. Early in 1976 the Company negotiated a further $25 million first mortgage bond placement which will have an average rate of just over 11% and will be drawn down during the second quarter.

Appointments

Mr. Jean-J. Leroux, Vice-President, Utilities of Norcen, has been appointed President and a Director of Northern and Central Gas Corporation Limited, and two outside directors representative of areas served by the Company have been elected — Mr. George Knowles of Kapuskasing and Mr. Preston R. Cook of Thunder Bay, Ontario.



Financial

Revenues and earnings

Sales and other revenues increased 39% from $344,040,000 in 1974 to $479,102,000 in 1975. Revenues by source were as follows ($000's):

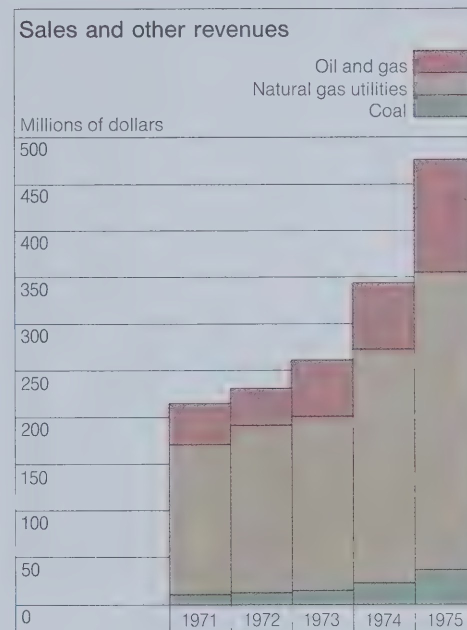
	1975	%	1974	%
Oil and gas	$120,590	25	$ 80,876	24
Natural gas utilities .	321,781	67	239,074	69
Coal	36,731	8	24,090	7
	$479,102	100	$344,040	100

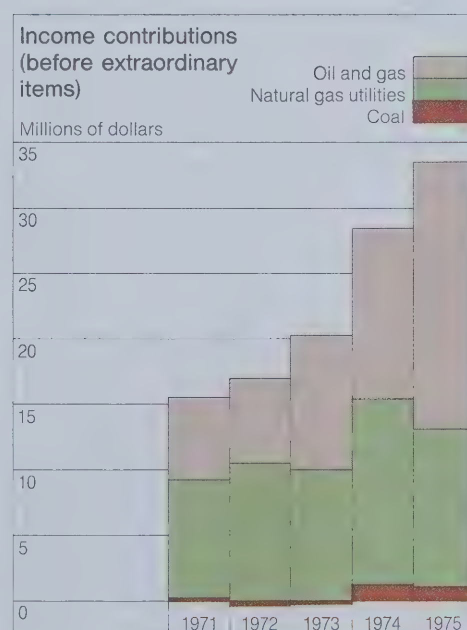
Higher wellhead prices for oil and gas, together with increased production from the acquisition of Great Plains were the principal factors contributing to the increase in oil and gas revenues. Interim rate increases were received by the natural gas utilities to recover essentially all increases in gas costs. A price increase was negotiated for coal shipped on or after April 1, 1975.

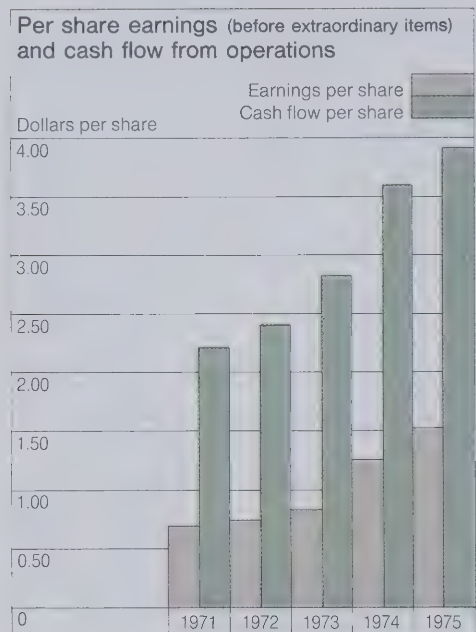
Income, before extraordinary items, was $33,408,000 compared to $28,618,000 and was contributed from the following activities ($000's):

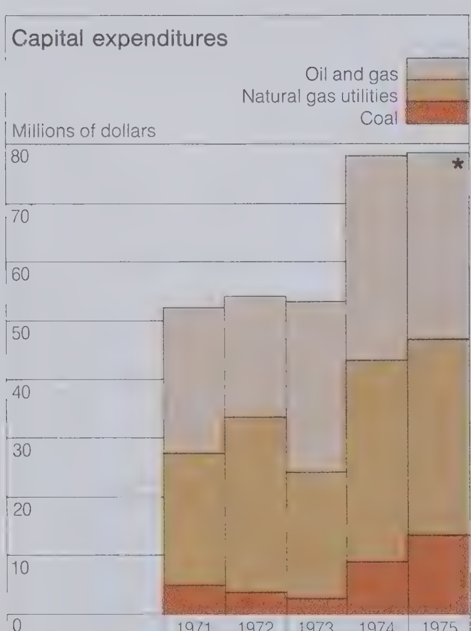
	1975	%	1974	%
Oil and gas	$20,390	61	$13,067	46
Natural gas utilities ...	11,843	35	14,058	49
Coal	1,175	4	1,493	5
	$33,408	100	$28,618	100

After payment of preference share dividends of $4,108,000 ($4,161,000 in 1974) net income applicable to common shares, before extraordinary items, was $29,300,000 ($1.51 per share) compared to $24,457,000 ($1.26 per share).









*Not including $96.4 million acquisition of Great Plains

Extraordinary items were a write-down of investment in Elf Oil Exploration and Production Canada Ltd. of $6,667,000 after deferred income taxes ($2,334,000 in 1974) and a recovery of deferred income taxes in Coleman of $621,000 ($1,051,000 in 1974). No further extraordinary items of this nature are anticipated in 1976.

Net income applicable to common shares, including extraordinary items, was $23,254,000 ($1.20 per share) compared to $23,174,000 ($1.19 per share).

Return on average common shareholders' equity capital was 19% compared to 17%. Return on average preference and common shareholders' equity was 15% compared to 14%.

Working capital

Increased rates to gas utility customers together with higher wellhead prices for oil and natural gas resulted in a marked increase in level of accounts receivable at year end. Natural gas in storage and a higher level of inventories of coking coal and coke further contributed to the increase in working capital requirements. Accounts payable increased due to higher gas costs. Working capital funds at December 31, 1975 amounted to $9,329,000 compared to $4,851,000 at the end of 1974.

Capital expenditures

Net expenditures on properties, plant and equipment by principal areas of activity were ($000's):

	1975	1974
Oil and gas		
Canada	$22,060	$24,609
Foreign	7,494	9,023
	29,554	33,632
Natural gas utilities		
Quebec	20,454	17,384
Ontario	10,767	11,291
Manitoba	4,091	7,470
Other	291	
	35,603	36,145
Coal		
Alberta	13,725	8,742
	$78,882	$78,519

In addition to the above expenditures, all the outstanding shares of Great Plains were acquired for a cash consideration of $96,433,000.

For 1976 capital expenditures are estimated to total $60 million; $30 million for oil and gas exploration and production; $26 million for the natural gas utilities; and $4 million for coal production.

Financing

During 1975 two major financings were completed. In January a $93 million ten-year term bank credit was arranged to finance the acquisition of Great Plains. In March NCgas sold $25 million twenty-year 11¼% first mortgage bonds, the proceeds from which were applied to reduce short-term borrowings.

In July $6,202,000 was received in settlement of successful litigation against the vendors of the Coleman securities acquired in 1971. Also in July NCgas repaid $5,256,000 of an original $20 million 9½% retractible debenture issue sold in 1970: holders of the balance of the debentures which mature in 1991 elected to accept an increase in interest rate to 11¼%.

In 1976 NCgas has negotiated a private placement of $25 million first mortgage bonds, completion of which is anticipated in the second quarter. Interest rate on this financing will be slightly over 11% and the proceeds will be used to reduce short-term borrowings.

The Company is presently considering the re-financing of part or all of its bank credits.

Accounting policies

Norcen
Energy Resources Limited

The principal accounting policies followed by Norcen and its subsidiaries are summarized here to facilitate a review of the consolidated financial statements contained in this report.

Corporate reorganization

On October 28, 1975 Norcen was, in effect, formed as a result of an exchange of shares by the former shareholders (other than holders of First Preference Shares) of NCgas and by the former shareholders (other than the 61% share ownership previously held by NCgas which was cancelled on the reorganization) of Canadian Industrial Gas & Oil Ltd. (CIGOL). The basis of the exchange of shares was as shown in the table below.

Holders of warrants to purchase common shares of NCgas have exchanged or have agreed to exchange such warrants for equivalent rights to purchase common shares of Norcen.

Shares of NCgas	*Shares of Norcen*
1 common share	1 common share
1 \$1.06 Second preference share, series A — \$25 par	1 \$1.06 First preference share, series A — \$25 par
1 \$1.50 Second preference share, series B — \$25 par	1 \$1.50 First preference share, series B — \$25 par
1 \$1.50 Junior preference share, first series — \$25 par	1 \$1.50 Junior preference share, first series — \$25 par
Shares of CIGOL	*Shares of Norcen*
10 common shares	7 common shares

The corporate reorganization has been accounted for in the manner of a "pooling of interests" and accordingly the financial statements are presented on the basis as though the reorganization had taken place as at January 1, 1974.

Principles of consolidation

The consolidated financial statements include the accounts of Norcen and all of its subsidiaries; all inter-company transactions have been eliminated. Norcen's principal operations are oil and gas exploration, development and production. The subsidiaries' operations are organized into three types of business which, together with the principal companies involved and percentage ownership by Norcen, are set out in Note 3.

The excess of acquisition costs over underlying value of net assets at date of purchase in respect of subsidiaries engaged in natural resource activities, i.e. oil and gas and coal, has been included in property costs and is being systematically charged to income in a manner similar to the particular property costs.

The excess costs in respect of subsidiaries engaged in natural gas utilities are shown as "Intangible assets arising from acquisitions". In the Company's opinion no diminution in value of this item has occurred and accordingly these assets are not being amortized.

Foreign exchange

Amounts in foreign currency have been converted to Canadian dollars on the following basis: current assets and current liabilities, at the rate of exchange as at the balance sheet date; properties, plant and equipment and related depreciation, at the rate of exchange at the date of acquisition; long-term debt, at the rate of exchange at the date the obligation was incurred; revenue and expenses, at the average rate of exchange for the respective year.

Properties, plant and equipment

Oil and gas

Oil and gas properties include all expenditures related to the exploration and development of oil and gas reserves, whether or not potentially productive. These costs are depleted on the composite unit-of-production method, based on total estimated recoverable reserves.

Oil and gas production equipment and related facilities are depreciated over their estimated useful service life on the straight-line method at various rates, the application of which has been equivalent to an annual composite rate of approximately 6.0%.

Natural gas utilities

Depreciation is provided on the straight-line method at rates approved by the respective provincial regulatory authorities. The application of such rates has been equivalent to an annual composite rate of approximately 2.75%.

Coal

Coal properties include costs of land, exploration and development, together with the excess, ($9,210,000 in 1975; $14,247,000 in 1974) of the acquisition cost over the value of the net assets recorded by Coleman at date of acquisition. The excess cost has been reduced by $5,037,000 in 1975 as a result of settlement of successful litigation against the vendor.

Costs of producing properties are being depleted on the unit-of-production method based on estimated mineable reserves as determined by Coleman engineers; costs of suspended properties are being amortized on the straight-line method over the remaining life of the present sales contracts (7 years). Amortization by the Company of the excess of its acquisition cost referred to above is being provided on a straight-line basis over 28 years.

Production equipment is depreciated at various rates, the application of which has been equivalent to an annual composite rate of approximately 8.0%.

Deferred charges

Costs of issuing long-term debt are deferred in the year incurred and amortized against income over the term of the applicable issue.

The natural gas utilities defer in the year incurred certain expenses which the regulatory authorities require or permit to be recovered from future revenues; such charges are being amortized over various time periods, not in excess of 20 years.

Income taxes

Oil and gas and coal

The companies follow the tax allocation method of accounting under which income tax provisions are based on the income reported in the accounts. This method results in the provision of deferred income taxes to the extent that taxes currently payable have been reduced by claiming depletion and depreciation for income tax purposes in amounts in excess of those reported in the accounts.

Natural gas utilities

The companies' rates and revenues, established for regulatory purposes, include recovery of only such income taxes as are currently payable on their utility operations. Accordingly, the companies provide income taxes on this basis and do not provide for income taxes which may be payable in future years as a result of current differences in timing of deductions, principally in respect of depreciation and amortization, for financial reporting and income tax purposes. Such income taxes not provided and not recovered in revenues amounted, before applicable minority interests, to $6,600,000 in 1975; $8,500,000 in 1974 and $62,500,000 in total to December 31, 1975.

Earnings per common share

Earnings per common share have been calculated using the weighted monthly average number of common shares outstanding during the year (19,397,000 in 1975; 19,391,000 in 1974). Fully diluted earnings per common share assumes the conversion of preference shares and convertible notes and the exercise of share options and warrants.

Thorne
Riddell
& Co.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Norcen Energy Resources Limited

We have examined the consolidated balance sheet of Norcen Energy Resources Limited as at December 31, 1975 and 1974 and the consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and 1974 and the results of their operations and the changes in their financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Canada
February 6, 1976

Thorne Riddell & Co.
Chartered Accountants

OFFICES THROUGHOUT CANADA AND ASSOCIATES THROUGHOUT THE WORLD

Consolidated balance sheet

as at December 31, 1975 and 1974

(thousands of dollars)

Assets

		1975	1974
Current assets	Cash and deposits	$ 6,392	$ 6,695
	Accounts receivable and unbilled gas	78,505	50,375
	Inventories (Note 4)	35,862	17,004
	Prepayments, advances and deposits	5,893	1,693
	Total current assets	126,652	75,767
Investments, at cost less amounts written off (Note 5)		23,621	32,398
Properties, plant and equipment (Note 6) and (a)		714,207	577,833
Deferred charges, at amortized cost (Note 7) and (a)		15,454	16,057
Intangible assets arising from acquisitions, at cost (a)		35,820	35,820
		$915,754	$737,875

Approved by the Board,

Edmund C. Bovey
Director

E. G. Battle
Director

(a) See accounting policies

Liabilities		1975	1974
Current liabilities	Accounts payable	$ 75,539	$ 44,147
	Accrued interest	6,702	6,188
	Income and other taxes (a)	9,974	3,750
	Current maturities — long-term debt	13,808	13,628
	— term bank credits	11,300	3,203
	Current liabilities, excluding demand bank credits	117,323	70,916
	Demand bank credits (Note 8)	69,500	37,603
	Total current liabilities	186,823	108,519
Term bank credits (Note 8)		112,942	30,060
Long-term debt (Note 9)		314,747	307,021
	Total liabilities	614,512	445,600
Minority interests in subsidiaries (Note 10)		34,928	34,782
Deferred income taxes (a)		41,200	41,507

Shareholders' Equity

			1975	1974
Capital stock (Note 11) and (a)				
	Authorized			
	1,300,000	First preference shares $25 each par value, issuable in series		
	4,000,000	Junior preference shares $25 each par value, issuable in series		
	50,000,000	Common shares without par value		
	Issued			
		First preference shares		
	3,658	$1.06 cumulative, series A	92	180
	1,209,417	$1.50 cumulative convertible, series B	30,236	31,128
		Junior preference shares		
	1,500,000	$1.50 cumulative convertible, first series	37,500	37,500
	19,424,248	Common shares	90,927	90,502
Retained earnings (Note 13)			66,359	56,676
	Total shareholders' equity		225,114	215,986
			$915,754	$737,875

Consolidated statement of income

Years ended December 31, 1975 and 1974

(thousands of dollars)

		1975	1974
Sales and other revenues	Oil and gas	$120,590	$ 80,876
	Natural gas utilities	321,781	239,074
	Coal	36,731	24,090
		479,102	344,040
Costs and expenses	Gas purchases	234,701	158,082
	Production, operations and maintenance	114,219	84,940
	Depreciation and depletion (a)	34,527	25,712
	Interest — long-term debt	28,094	24,443
	— other	11,925	4,782
	Income taxes — current (a)	16,057	4,386
	— deferred (a)	3,187	9,550
		442,710	311,895
Income before minority interests		36,392	32,145
Minority interests in subsidiaries		2,984	3,527
Income before extraordinary items		33,408	28,618
Extraordinary items	Reduction of a subsidiary's income taxes resulting from application of prior years' losses, after minority interests	621	1,051
	Write-down of investment (net of deferred income taxes) (Note 5)	(6,667)	(2,334)
Consolidated net income		27,362	27,335
	Dividends on preference shares	4,108	4,161
Net income applicable to common shares			
	Including extraordinary items	$ 23,254	$ 23,174
	Before extraordinary items	$ 29,300	$ 24,457
Earnings per common share (a)			
	Including extraordinary items	$1.20	$1.19
	Before extraordinary items	$1.51	$1.26
Fully diluted earnings per common share			
	Including extraordinary items	$1.12	$1.11
	Before extraordinary items	$1.36	$1.17

(a) See accounting policies

Consolidated statement of retained earnings

Years ended December 31, 1975 and 1974

(thousands of dollars)

	1975	1974
Balance at beginning of year, as restated to give effect to the reorganization (a)	$55,463	$41,750
Adjustment to prior years' depreciation and income taxes	1,213	1,213
	56,676	42,963
Consolidated net income	27,362	27,335
	84,038	70,298
Dividends		
Preference shares	4,108	4,161
Common shares		
— NCgas	6,846	8,051
— CIGOL net of amounts received by NCgas of $3,147; 1974 — $1,967	2,048	1,280
— Norcen	3,299	
Reorganization costs (net of deferred income taxes of $446)	1,453	
Other	(75)	130
	17,679	13,622
Balance at end of year	$66,359	$56,676

(a) See accounting policies

Consolidated statement of changes in financial position

Years ended December 31, 1975 and 1974

(thousands of dollars)

		1975	1974
Source of funds	From operations — oil and gas	$ 40,916	$ 31,495
	— natural gas utilities	28,228	32,260
	— coal	6,725	6,212
		75,869	69,967
	Increase in demand bank credits	31,897	22,943
	Increase in term bank credits, net		9,301
	Issue of long-term debt	29,720	
	Proceeds from litigation on Coleman	6,202	
	Reclassification of current income taxes to deferred	1,055	
	Issue of NCgas common shares for cash	30	33
		144,773	102,244
Application of funds	Acquisition of Great Plains including its working capital deficiency of $1,122 (Note 2)	97,555	
	Term bank credits	93,000	
		4,555	
	Expenditures on properties, plant and equipment, net		
	— oil and gas	29,554	33,632
	— natural gas utilities	35,603	36,145
	— coal	13,725	8,742
		78,882	78,519
	Reduction in term bank credits, net	10,118	
	Retirement of long-term debt	22,392	11,931
	Dividends — common shares	12,193	9,331
	— preference shares	4,108	4,161
	— minority shareholders of subsidiaries	2,247	1,981
	Redemption of preference shares — Norcen	24	
	— NCgas	811	736
	Reorganization costs	1,899	
	Investments	1,223	3,370
	Deferred charges and other, net	1,843	2,463
		56,858	33,973
		140,295	112,492
Increase (decrease) in funds		4,478	(10,248)
Funds at beginning of year		4,851	15,099
Funds at end of year		$ 9,329	$ 4,851
Summary of funds	Current assets	$126,652	$ 75,767
	Current liabilities, excluding demand bank credits (Note 8)	117,323	70,916
	Funds at end of year	$ 9,329	$ 4,851

Notes to consolidated financial statements

Years ended December 31, 1975 and 1974
(Tabular amounts are in thousands of dollars)

1. Accounting policies

The information on pages 11 and 12 presents a summary of the principal accounting policies and is an integral part of these statements.

2. Acquisition of Great Plains Development Company of Canada, Ltd. (Great Plains)

By an agreement dated as of January 1, 1975 the Company acquired all of the issued shares of Great Plains for a cash consideration of $96,433,000. In consolidation the earnings of Great Plains have been included from date of acquisition and the purchase consideration has been assigned as follows:

Current assets		$ 16,436
Oil and gas properties and equipment (including $22,861,000 excess of consideration over book value of net assets)		99,571
Other assets		217
		116,224
Deduct		
Current liabilities	$17,558	
Long-term debt	2,233	19,791
Purchase consideration		$ 96,433

3. Operations

Sales and other revenues, share of net income and the percentage of equity ownership held by Norcen were:

	1975			1974		
	Ownership %	Sales and other revenues	Share of net income	Ownership %	Sales and other revenues	Share of net income
Oil and gas						
Norcen*		$ 44,918	$ 6,467 (a) (b)		$ 37,415	$ 6,924 (a)
Great Plains	100	30,931	4,570			
Prairie Oil Royalties	74	1,748	574	74	1,426	407
Trans-Prairie Pipelines	99	5,577	1,439	99	11,171	1,949
Cigas Products	100	37,416	674	100	30,864	1,453
		120,590	13,724		80,876	10,733
Natural gas utilities						
NCgas	100	122,582	2,627 (b)	100	92,841	2,716
Columbia Natural Gas and Beaver River Utilities	100	7,279	506 (c)			
Gaz Métropolitain	82	135,181	6,240	82	103,173	8,280
Greater Winnipeg Gas	99	56,739	2,470	99	43,060	3,062
		321,781	11,843		239,074	14,058
Coal						
Coleman	81	36,731	1,795 (d)	82	24,090	2,544 (d)
		$479,102	$27,362		$344,040	$27,335

* Includes revenues and net income of 100% owned subsidiaries other than those tabulated.

(a) Includes extraordinary loss of $6,667,000 in 1975 and $2,334,000 in 1974.

(b) Interest of $1,122,000 received by NCgas from Norcen has been eliminated from revenues but included in the share of net income for each company.

(c) Subsidiaries of Trans-Prairie Pipelines previously included in oil and gas.

(d) Includes extraordinary gain of $621,000 in 1975 and $1,051,000 in 1974.

4. Inventories

	1975	1974
Materials and supplies, at lower of cost and replacement cost	$14,678	$10,248
Gas in storage, at cost	8,446	2,120
Coal, at lower of cost and net realizable value		
Coleman	486	257
Gaz Métropolitain	12,252	4,379
	$35,862	$17,004

5. Investments

	1975	1974
Elf Oil Exploration and Production Canada Ltd. — 10% share interest	* $10,727	$20,038
Panarctic Oils Ltd. — 0.8% share interest	1,473	1,405
British Columbia Oil Lands Ltd. — 35% share interest	2,009	2,009
Canadian Arctic Gas Study Limited — 1/15 participation	4,235	2,563
Mortgages receivable	3,664	4,397
Other	1,513	1,986
	$23,621	$32,398

*The cost of this investment has been written off to the extent of $3,500,000 in 1974 and by an additional $10,000,000 in 1975.

6. Properties, plant and equipment

	1975			1974
	Cost	Accumulated depreciation and depletion	Net	Net
Oil and gas				
Properties	$251,980	$ 56,564	$195,416	$104,136
Production equipment	46,029	15,869	30,160	10,933
Pipelines and processing plants	29,411	21,699	7,712	7,734
Propane marketing equipment	20,464	6,687	13,777	13,407
	347,884	100,819	247,065	136,210
Natural gas utilities				
Gas storage	30,281	2,906	27,375	21,846
Gas distribution	396,091	53,915	342,176	320,756
Rental equipment	42,736	14,249	28,487	28,947
General and other plant	41,540	12,762	28,778	31,017
	510,648	83,832	426,816	402,566
Coal				
Properties	33,831	8,386	25,445	27,822
Production equipment	21,869	6,988	14,881	11,235
	55,700	15,374	40,326	39,057
	$914,232	$200,025	$714,207	$577,833

7. Deferred charges

	Basis or period of amortization	1975	1974
Oil and gas		$ 945	$ 852
Natural gas utilities			
Long-term debt issue expense	†	7,122	7,418
Contribution to customers for conversion to natural gas	5-20 years	928	1,202
Special gas costs	10-20 years	3,298	3,665
Extraordinary plant retirements	10 years	907	1,515
Special rental appliance expense	13⅓ years	560	644
Other		1,027	761
		13,842	15,205
Coal		667	
† amortized over term of applicable issue.		$15,454	$16,057

8. Obligations under bank lines of credit

Under currently established bank lines of credit ($219,183,000 at December 31, 1975) the following obligations were outstanding:

	Average % interest rate at December 31, 1975	1975	1974
Demand bank credits			
Commercial paper	9⅜	$ 23,550	$15,339
Income debentures	6⅜	20,000	10,000
Bank loans	9¾	20,425	7,025
Coleman, secured by accounts receivable	9¾	5,525	5,239
		$ 69,500	$37,603
Term bank credits			
Norcen — production bank loans	10⅛	$ 29,492	$33,263
— other term bank loans	10¾	43,000	
— bankers' acceptances	9⅞	50,000	
Coleman	10½	1,750	
		124,242	33,263
Less due within one year		11,300	3,203
		$112,942	$30,060

While demand bank credits are by their terms due within one year and therefore classified as current liabilities, the companies have in the past retired and anticipate in the future retiring such obligations through the issue of long-term capital.

Norcen's term bank credits are secured as to production bank loans primarily on certain of its oil and gas reserves, and as to other borrowings aggregating $93,000,000 by hypothecation of all outstanding shares of Great Plains.

Maturities under term bank credits for each of the four years subsequent to 1976 are as follows:

1977	$12,374,000	1979	$17,140,000
1978	$17,395,000	1980	$15,060,000

9. Long-term debt

	Due within one year	1975	1974
Oil and gas			
5⅞% - 9% first mortgage bonds, 1976 - 1992	*$ 1,637	$ 6,279	$ 11,428
6¼% debentures			61
Notes and purchase agreements	90	3,008	2,069
Convertible notes		2,364	2,433
	1,727	11,651	15,991
Natural gas utilities			
5½% - 11¼% first mortgage bonds, 1976 - 1995	9,572	180,530	160,138
6% general mortgage bonds, 1988 - 1989	375	9,883	10,260
9⅝% senior debentures, 1991		50,000	50,000
6% subordinated notes, 1987		6,959	7,546
5½% - 11¼% debentures, 1979 - 1991	1,444	61,572	70,592
	11,391	308,944	298,536
Coal			
12% debentures, 1981		660	660
7½% mortgage loans, 1981	250	1,477	1,727
Interest free note			1,835
Equipment notes	818	6,201	2,145
	1,068	8,338	6,367
	$14,186	328,933	320,894
Deduct			
Long-term debt held for sinking fund purposes		378	245
Current maturities on long-term debt		13,808	13,628
		14,186	13,873
		$314,747	$307,021

*In 1975 first mortgage bonds of $3,822,000 have been reclassified to natural gas utilities.

Securities issued in U.S. funds are included above at their Canadian dollar equivalent at respective dates of issue. Translation of such issues at rates of exchange prevailing at year end would result in a reduction of long-term debt of $2,312,000 at December 31, 1975 and $4,078,000 at December 31, 1974.

Convertible notes are payable to Company officers and employees, bear interest at bank prime lending rate plus ½ of 1% and are convertible into common shares from time to time to September 2, 1979 at prices of $11.79 and $12.33 per share.

Long-term debt maturities and sinking fund requirements for each of the four years subsequent to 1976 are as follows:

1977	$19,541,000	1979	$21,895,000
1978	$24,546,000	1980	$18,745,000

10. Minority interests in subsidiaries

	1975			1974
	Preference shares	Common share equity	Total	Total
Oil and gas				
Prairie Oil Royalties		$ 1,954	$ 1,954	$ 1,768
Trans-Prairie Pipelines		207	207	178
Natural gas utilities				
NC gas	$ 7,407		7,407	8,127
Gaz Métropolitain	13,342	9,520	22,862	22,555
Greater Winnipeg Gas		68	68	68
Coal				
Coleman	1,935	495	2,430	2,086
	$22,684	$12,244	$34,928	$34,782

11. Capital stock

Preference shares

During 1975 the Company issued 4,618 series A and 1,221,332 series B first preference shares and 1,500,000 junior preference shares in exchange, on a one for one basis, for the outstanding second preference and junior preference shares of NCgas.

First preference shares, series A, are redeemable at the Company's option at $27.50 per share and have voting rights. First preference shares, series B (redeemable at $26.50 per share after August 14, 1976) have voting rights and are convertible into 2,176,949 common shares to August 15, 1977. Junior preference shares are redeemable at $26.25, have voting rights and are convertible into 2,586,209 common shares to June 30, 1977, and thereafter into 2,340,000 common shares to June 30, 1982.

During the year the Company purchased for redemption 960 series A first preference shares and 11,915 series B shares were converted to common.

Common shares

During 1975 the Company issued 13,430,682 common shares in exchange, on a one for one basis, for the outstanding common shares of NCgas and 5,972,119 common shares in exchange, on a seven for ten basis, for the outstanding common shares of CIGOL (other than those held by NCgas). On the conversion of the first preference shares, series B, the company issued 21,447 common shares.

Unissued common shares are reserved as follows:

4,763,158	for the conversion of convertible preference shares
1,981	for the exercise of warrants at prices increasing from $13.50 to $15.00 per common share and expiring in 1978
799,325	for the exercise of warrants at $14.00 per share and expiring in 1977
680,450	for incentive stock option plans, of which options on 30,450 shares were outstanding at December 31, 1975, exercisable at prices from $12.14 to $15.875 and expiring to 1978
191,895	for the conversion of convertible notes (Note 9)
6,436,809	

12. Anti-inflation legislation

The Company and its subsidiaries are subject to the Anti-Inflation Act which provides as from October 14, 1975 for the restraint of increases in profit margins, prices, dividends and compensation. There are many uncertainties as to the interpretation and application of this legislation.

Oil and gas production and natural gas utilities are exempt from the provisions of the Act relating to profit margins and prices since they are regulated by other government legislation. The export sales of Coleman may be subject to levy, but the amount of such levy cannot be predicted until the relevant legislation is introduced.

As presently understood by the Company, the provisions of this Act have had no significant effect on the consolidated earnings for the year ended December 31, 1975.

13. Dividend restrictions

The indentures and agreements relating to the Company's long-term debt obligations do not limit the payment of dividends by the Company.

Limits on the payment of dividends by subsidiaries (primarily the natural gas utility subsidiaries) are contained in covenants in the indentures of such subsidiaries.

The Company and its subsidiaries are subject to the Anti-Inflation legislation (see Note 12) which, among other things, controls the level of dividends. While Norcen was not formed until after the effective date of this legislation, the Company believes that during the first year of the guidelines ending October 13, 1976 the maximum dividend per common share which can be declared or paid is 68¢ per common share, which is the equivalent of the quarterly dividend rate established by NCgas and CIGOL prior to October 14, 1975.

14. Other information

Unfunded liabilities for past service pension benefits amounted to approximately $2,669,000 at December 31, 1975 and are being funded and expensed over a maximum period of 15 years.

Remuneration of directors and senior officers:

	1975	1974
Prior to effective date of reorganization		
NCgas	$ 820	868
CIGOL	497	596
Subsequent to effective date of reorganization		
Norcen	188	

Comparative financial data 1971-1975

(dollar amounts, except per share figures, in thousands)

		1975	1974	1973	1972	1971
Revenues	Oil and gas	$120,590	$ 80,876	$ 58,964	$ 47,432	$ 41,271
	Gas utilities	321,781	239,074	188,591	170,557	162,169
	Coal	36,731	24,090	15,395	12,775	12,357
		479,102	344,040	262,950	230,764	215,797
Costs and expenses	Gas purchases, production and operations	348,920	243,022	183,719	161,195	151,344
	Depreciation and depletion	34,527	25,712	23,181	20,010	17,863
	Interest	40,019	29,225	26,781	24,745	25,124
	Income taxes	19,244	13,936	6,627	5,683	4,503
	Minority interests	2,984	3,527	2,327	2,138	1,468
		445,694	315,422	242,635	213,771	200,302
Income before extraordinary items	Oil and gas	20,390	13,067	10,226	6,541	6,088
	Gas utilities	11,843	14,058	10,326	10,823	9,288
	Coal	1,175	1,493	(237)	(371)	119
		33,408	28,618	20,315	16,993	15,495
	Less extraordinary items (net)	6,046	1,283			
Consolidated net income		$ 27,362	$ 27,335	$ 20,315	$ 16,993	$ 15,495
Dividends on preference shares		$ 4,108	$ 4,161	$ 4,207	$ 3,160	$ 2,163
Earnings applicable to common shares						
	Before extraordinary items	$ 29,300	$ 24,457	$ 16,108	$ 13,833	$ 13,332
	Including extraordinary items	$ 23,254	$ 23,174	$ 16,108	$ 13,833	$ 13,332
Weighted average number of common shares (000's)		19,397	19,391	19,276	19,060	18,722
Earnings per common share						
	Before extraordinary items	$1.51	$1.26	$0.84	$0.73	$0.71
	Including extraordinary items	$1.20	$1.19	$0.84	$0.73	$0.71
Fully diluted earnings per common share						
	Before extraordinary items	$1.36	$1.17	$0.84	$0.73	$0.71
	Including extraordinary items	$1.12	$1.11	$0.84	$0.73	$0.71

Quarterly earnings per share

	Before extraordinary items		Including extraordinary items	
	1975	1974	1975	1974
First quarter	$0.77	$0.81	$0.76	$0.78
Second quarter	0.11	0.22	0.09	0.20
Third quarter	0.03	(0.10)	(0.26)	(0.11)
Fourth quarter	0.60	0.33	0.61	0.32
Year ended December 31	$1.51	$1.26	$1.20	$1.19

Comparative statistical data 1971-1975

Oil and gas

		1975	1974	1973	1972	1971
Production (i) — Crude oil, synthetic crude oil and gas liquids	— barrels/day	25,799	17,143	16,671	11,622	10,604
natural gas	— Mmcf/day	177	134	128	99	93
sulphur	— long tons	23,300	19,305	17,834	14,680	13,690
Gas gathering and transmission sales	— Mmcf/day	92	143	146	139	126
Oil gathering and transmission throughput	— barrels/day	81,400	98,500	110,800	113,400	117,600
Liquefied petroleum gas sales — thousands imperial gallons		110,400	94,800	95,900	88,400	76,500
Reserves (i) — oil and gas liquids	— barrels (000's)	130,655	81,298	79,159	70,216	69,733
natural gas	— Mmcf	1,152,830	746,910	773,528	582,200	603,700
sulphur	— long tons	543,643	305,700	252,000	227,000	243,000
Oil and gas land holdings — gross acres (000's)		31,590	30,038	23,381	20,066	23,409
— net acres (000's)		11,873	12,345	11,984	10,966	14,223

(i) Stated before deduction of royalties for 1975, 1974 and 1973, and after deduction of royalties for other years.

Natural gas utilities

	1975	1974	1973	1972	1971
Gas sales — Mmcf					
Industrial, firm	104,922	102,644	90,805	84,888	73,450
Industrial, interruptible	43,353	45,554	48,171	41,254	49,031
Commercial	43,133	42,200	33,847	33,623	29,303
Residential	49,619	49,242	45,359	48,499	43,869
	241,027	239,640	218,182	208,264	195,653
Customers at year end	422,780	409,902	406,835	403,544	399,421
Net expenditures on plant and equipment (000's)	$35,603	$36,145	$21,202	$30,027	$22,956

Coal

	1975	1974	1973	1972	1971
Production — short clean tons	854,000	880,000	879,000	816,000	867,000

Note: Figures for the utilities operations in Alberta and British Columbia are included in natural gas utilities in 1975 and in oil and gas in other years.

Dividends and market prices

Since the formation of the Company on October 28, 1975, the annual rate of dividend on common shares has been $0.68 per share, payable $0.17 quarterly. The annual rate of dividend on the First preference shares series A has been $1.06 per share, payable $0.265 quarterly, on the First preference shares series B has been $1.50 per share, payable $0.375 quarterly, and on the Junior preference shares first series has been $1.50 per share, payable $0.375 quarterly.

The following table shows the sales prices of the Company's shares on the Toronto Stock Exchange for the period from November 3 to December 31, 1975:

Common shares		First preference shares series A		First preference shares series B		Junior preference shares first series	
High	Low	High	Low	High	Low	High	Low
$10⅜	$8¾	$25	$25	$18½	$15⅝	$18⅞	$15⅝

Directors

*Edward G. Battle *Toronto, Ontario*
President, Norcen Energy Resources Limited.

*Edmund C. Bovey *Toronto, Ontario*
Chairman, Norcen Energy Resources, Limited.

*C. Spencer Clark, Ph.D. *Seattle, Washington*
Vice-Chairman, Norcen Energy Resources Limited. Chairman, Cascade Natural Gas Corporation.

*E. Jacques Courtois, Q.C.
Montreal, Quebec
Partner with Weldon, Courtois, Clarkson, Parsons & Tétrault.

J. Ian Crookston *Toronto, Ontario*
Chairman, Nesbitt Thomson and Company Limited.

Robert Després *Quebec City, Quebec*
President, University of Quebec.

*Edward A. Galvin *Calgary, Alberta*
Vice-Chairman, Norcen Energy Resources Limited.

*Frederick A. M. Huycke, Q.C.
Toronto, Ontario
Partner with Osler, Hoskin & Harcourt.

†Raymond Lavoie *Montreal, Quebec*
Director, Vice-Chairman, President and Chief Executive Officer, Credit Foncier Franco-Canadien.

A. Searle Leach, O.C.
Winnipeg, Manitoba
Chairman, Federal Industries Ltd.

†Richey B. Love, Q.C. *Calgary, Alberta*
Partner with Macleod Dixon.

Blancke Noyes *New York, N.Y.*
Director and Senior Vice-President, Hornblower and Weeks-Hemphill, Noyes, Inc.

Linden J. Richards *Calgary, Alberta*
Oil and Gas Consultant and Chairman, Quintana Exploration Co.

Henry S. Romaine *New York, N.Y.*
Senior Vice-President, Mutual Life Insurance Company of New York.

William I. M. Turner, Jr. *Montreal, Quebec*
President and Chief Executive Officer, Consolidated-Bathurst Limited.

William O. Twaits *Toronto, Ontario*
President, Sarcalto Limited.

*† Adam H. Zimmerman *Toronto, Ontario*
Director and Executive Vice-President, Noranda Mines Limited.

*Member of the executive committee
†Member of the audit committee

Officers

Edmund C. Bovey	*Chairman of the Board*
C. Spencer Clark	*Vice-Chairman*
Edward A. Galvin	*Vice-Chairman*
Edward G. Battle	*President*
Donald D. Barkwell	*Vice-President, Natural Resources*
William C. Hennenfent	*Vice-President, Planning*
William T. Kilbourne	*Vice-President, Legal & Secretary*
Jean-J. Leroux	*Vice-President, Utilities*
Timothy G. Sheeres	*Vice-President, Finance*
Alick S. G. Duguid	*Treasurer*
James C. Crawford	*Assistant Secretary*
Laurence A. Sills	*Assistant Secretary*
A. Kenneth Davies	*Assistant Treasurer*
Mart Pedel	*Assistant Treasurer*

Norcen
Energy Resources Limited

Transfer Agents and Registrars
Common Shares, First Preference Shares and Junior Preference Shares
National Trust Company, Limited
Calgary, Toronto, Montreal, Winnipeg and Vancouver
and (as agent for National Trust)
Canada Permanent Trust Company, Regina
Common Shares
Morgan Guaranty Trust Company of New York, New York

Listings
Common Shares, First Preference Shares and Junior Preference Shares
Toronto and Montreal Stock Exchanges

Auditors
Thorne Riddell & Co., Chartered Accountants

Executive office
4600 Toronto-Dominion Centre
Toronto, Ontario M5K 1E5

Registered office
Norcen Tower
715-5th Avenue S.W.
Calgary, Alberta T2P 2X7

London office
1st Floor, Wellington House
6/9 Upper St. Martin's Lane
London, England WC2H9DL

Great Plains Development Company of Canada, Ltd.
Prairie Oil Royalties Company, Ltd.
Trans-Prairie Pipelines, Ltd.
Norcen Tower
715-5th Avenue S.W.
Calgary, Alberta T2P 2X7

Coleman Collieries Limited
Coleman, Alberta T0K 0M0

Cigas Products Ltd.
Norcen Tower
715-5th Avenue S.W.
Calgary, Alberta T2P 2X8

Northern and Central Gas Corporation Limited
245 Yorkland Boulevard
Willowdale, Ontario M2J 1R1

Gaz Métropolitain, inc.
1155 Dorchester Boulevard
Montreal, Quebec H3B 3S5

Greater Winnipeg Gas Company
265 Notre Dame Avenue
Winnipeg, Manitoba R3B 1N9

Distribution of common shares
December 31, 1975

Province	Shareholders %	Shares %
Alberta	7.6	3.8
British Columbia	12.9	5.3
Manitoba	4.8	7.8
New Brunswick	1.3	.4
Nova Scotia	2.5	1.4
Ontario	38.7	37.2
Quebec	10.5	34.5
Saskatchewan	2.4	.7
Other Canadian	.5	.2
Total Canadian	81.2	91.3
Non-Canadian	18.8	8.7
	100.0	100.0

A copy of the Company's 10-K report as filed with the United States Securities and Exchange Commission will be sent to registered shareholders upon written request to the Company Secretary.

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Energy Resources Limited Annual Report 1975

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